

Subcommittee on Telecommunications, Trade,
and Consumer Protection
of the
Commerce Committee

U.S. HOUSE OF REPRESENTATIVES

Hearing on the
World Trade Organization (WTO)
Basic Telecommunications Agreement

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Thank you, Mr. Chairman, for this opportunity to share with the Subcommittee Sprint's views on the WTO Basic Telecommunications Agreement, signed in Geneva on February 15, 1997.

On that day, Sprint's Chairman and CEO, William T. Esrey, congratulated the U.S. government -- particularly the negotiating team from the U.S. Trade Representative and the Federal Communications Commission -- on the historic global agreement.

The WTO agreement is an important and logical next step in the process of ensuring that the principles of telecommunications competition, first established by Congress in the Telecommunications Act of 1996, apply to the global marketplace.

We know the negotiations that produced the agreement were prolonged and difficult, but it is clear from the outcome that they were worth the effort. Indeed, the agreement that was ultimately reached was far superior, both quantitatively and qualitatively, than the offers which the U.S. Government declined to accept in April, 1996.

Seventy countries -- representing about 95% of the \$600 billion annual world telecom market -- have now committed to open their telecommunications markets to competition, so that consumers all over the world will soon be able to enjoy the benefits of choice, technology, quality and lower prices.

In particular, we understand that the agreement has basically four parts, which address (i) foreign investment liberalization, (ii) adoption of pro-competitive regulatory principles, (iii) market access commitments, and (iv) satellite services. By making commitments in these areas, the rest of the world is essentially endorsing and adopting the principles of telecommunications competition established by Congress when it enacted the Telecommunications Act of 1996.

There are, without doubt, commitments from some countries that fell a little short of expectations. One example is Canada, which did not commit to increase the amount of allowable foreign ownership.¹ Nevertheless, there remains an opportunity for countries to improve their offers before the November 30, 1997 ratification deadline, and we are hopeful that additional progress can and will be made.

Sprint is excited about the opportunities the agreement provides, and believes it is particularly well-positioned -- through its Global One partnership with France Telecom and Deutsche Telekom -- to offer improved competitive telecommunications services around the world. Moreover, we are already working with the FCC concerning possible future foreign investments that could enhance the deployment of new and diverse domestic telecommunications technologies.

We are anxious to get started and agree with your assessment, Mr. Chairman, and that of other congressional leaders, that no implementing legislation is required for this agreement. Sprint fully supports the telecommunications agreement as well as any initiative which will enhance its pro-competitive guidelines.

In that regard, I'd like to also express Sprint's support for the International Accounting Rate Benchmarks proposed by the Federal Communications Commission.² As we said in comments filed with the FCC on February 7, pending the arrival of genuine international competition, it is extremely important that the FCC take concrete steps to lower international accounting and settlement rates (attachment 1).

We believe that non-controlling foreign investments in the U.S. telecommunications market should be allowed, if not encouraged. Moreover, we believe that foreign carriers should be allowed to enter the U.S. market (either directly or via controlling investments in U.S. carriers) when the FCC determines it is in the public interest. The FCC should further require that, in order for any U.S. carrier (whether foreign owned or not) to be licensed to exchange traffic internationally with any other foreign country, that carrier and/or country should satisfy the FCC's Benchmarks.

Thus, we are hopeful the FCC will act soon to formally adopt the Benchmarks. Ambassador Barshefsky has confirmed USTR's support for the FCC's proposed rules and commitment to ensure that such rules are consistent with the WTO and other international agreements (attachment 2).

It is because of our enthusiasm for the WTO Basic Telecommunications Agreement that Sprint commends you, Mr. Chairman, and the Subcommittee for conducting this hearing and focusing the attention of Congress on this very important global accomplishment. The Telecommunications Subcommittee has a very important role in the development, coordination and oversight of both domestic and international competitive telecommunications markets. We look forward to working with you and the Members of the Subcommittee to promote competition and market access here and abroad.

I would be pleased to try to answer any questions you may have about Sprint's position.

Thank you.

1 Foreign ownership in Canada is presently limited to 46.7% of voting shares in all services, except resellers, mobile satellite and submarine cable licensees in 1998-2000

2 The FCC's International Accounting Rate Benchmark Rules were proposed in Docket No. 96 - 261, released on December 19, 1996.